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SPRING OUTLOOK SUMMARY 1972

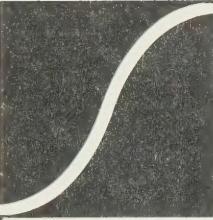
CANADA DEPARTMENT OF AGRICULTURE





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SPRING OUTLOOK SUMMARY MARCH, 1972

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This information is based on data obtained from
Markets Information, Statistics Canada and other agencies.

See *Canadian Farm Economics* Volume 7, No. 1 for complete details

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HOGS

Prices have bounced back this year from the lowest levels since 1960, and they should hold at the higher levels for most of 1972.

Canadian prices follow the pattern established in the mid-western United States, and economists there are forecasting better prices this year than last.

They predict that prices will drop by about a dollar or more towards late winter and spring, then rise seasonally in late spring to average well above last year's prices for the remainder of the year.

Summer's peak prices should be above the prices of two years ago.

Provided the United States predictions come true, Toronto prices can be expected to average above the \$30 per hundredweight level for the rest of the year.

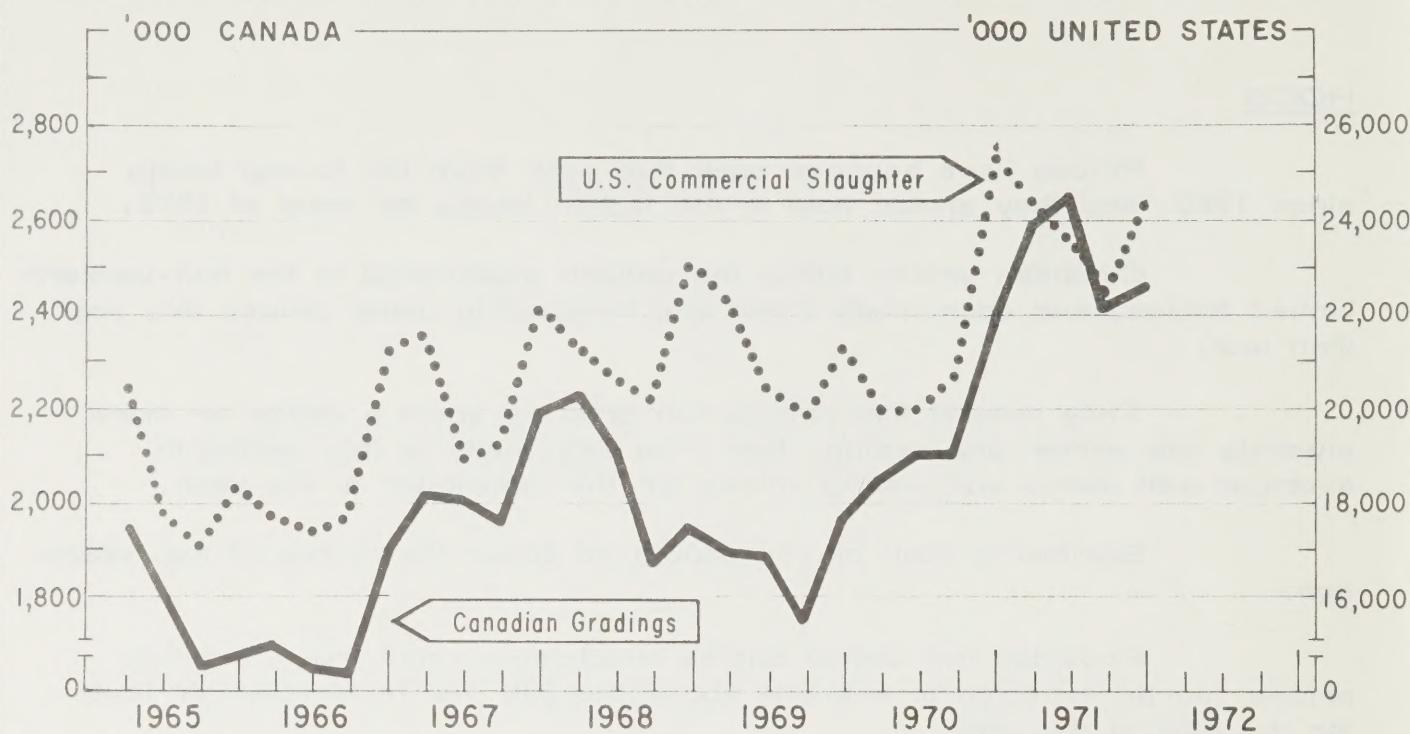
The U.S. hog-corn price ratio, always an indicator of U.S. hog production, averaged 20.8 to 1 in January this year. The 1971 U.S. slaughter record was in response to a ratio of 23.3 to 1. While the favorable ratio expected through 1972 may encourage some U.S. producers to breed more gilts, the U.S.A. Agricultural Outlook conference in February indicated that the "June-November 1972 pig crop likely will be smaller than in 1971."

Last year producers in both Canada and the United States set records for production. That pushed prices down to the lowest levels since 1960, and in Canada the federal government is offering a deficiency payment of \$5 a hog, up to \$1,000 per producer, to offset the low prices. The payment is being made on hogs sold last year that indexed 100 or higher.

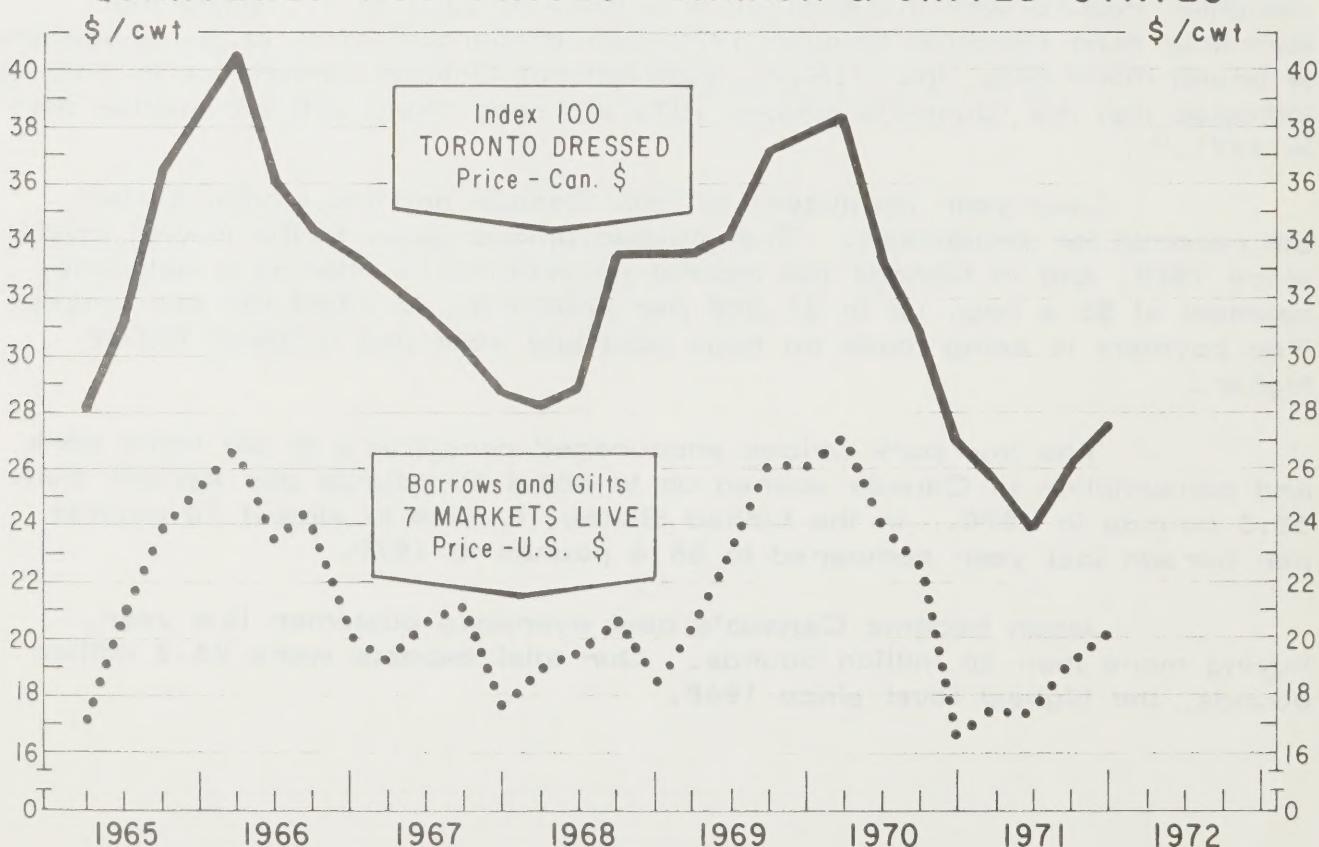
The low pork prices encouraged consumers to eat more pork and consumption in Canada soared up to about 60 pounds per person from 55.3 pounds in 1970. In the United States, it rose to almost 73 pounds per person last year compared to 66.4 pounds in 1970.

Japan became Canada's best overseas customer last year, buying more than 20 million pounds. Our total exports were 95.2 million pounds, the highest level since 1948.

QUARTERLY HOG MARKETINGS - CANADA & UNITED STATES



QUARTERLY HOG PRICES - CANADA & UNITED STATES



BEEF

The experts are hedging their bets on forecasts of fed cattle prices in Canada and the United States for the remainder of this year.

Canadian fed cattle prices will depend on two factors -- first, the price in the United States, and second, the number of fed cattle marketed in Canada.

In the United States, economists think prices may drop by a dollar or so this spring and in the last half of the year average about \$33 a hundredweight. Canadian prices will likely stay in step with that pattern. For the first six weeks of this year, Toronto prices for choice steers have averaged \$37.33 -- only \$1.37 a hundredweight over choice steers at Omaha.

Usually prices drop when marketings go up, and marketings will likely increase in both the United States and Canada this year.

But the economists say that this downward pressure on prices could very well be offset by increases in population and consumer incomes along with less competition from pork. With the exception of a small drop for fed cattle prices in 1968, prices have increased every year at Toronto since 1964.

Lower feed costs coupled with the higher cost of replacement cattle may lead feedlot operators on this continent to market cattle at heavier weights.

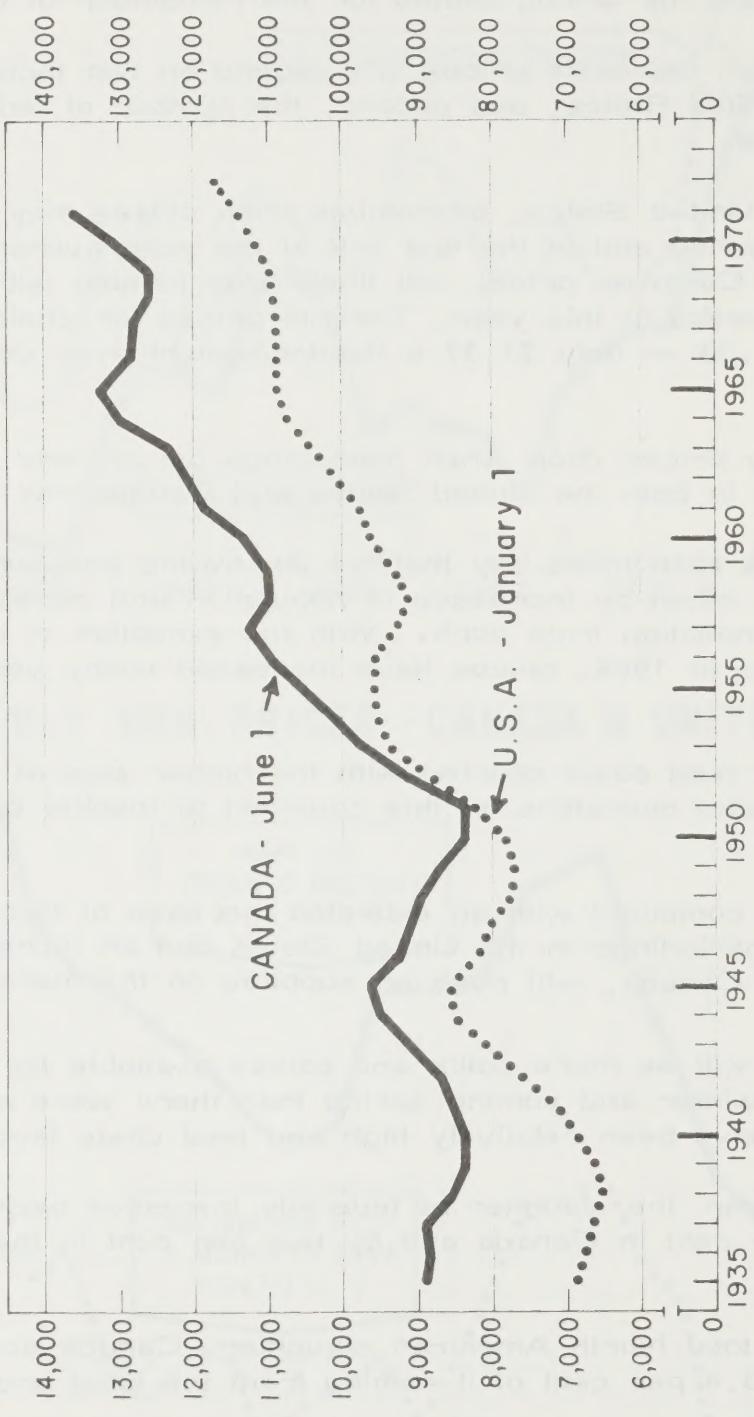
That, combined with an expected increase of four to six per cent in fed cattle marketings in the United States and an increase of four to five per cent in Canada, will push up supplies on the market.

There will be more cattle and calves available for the cattle feeder to buy this winter and coming spring than there were a year ago. Fed cattle prices have been relatively high and feed costs favorable.

Last year the slaughter at federally inspected packing plants was up by 3.2 per cent in Canada and by two per cent in the United States.

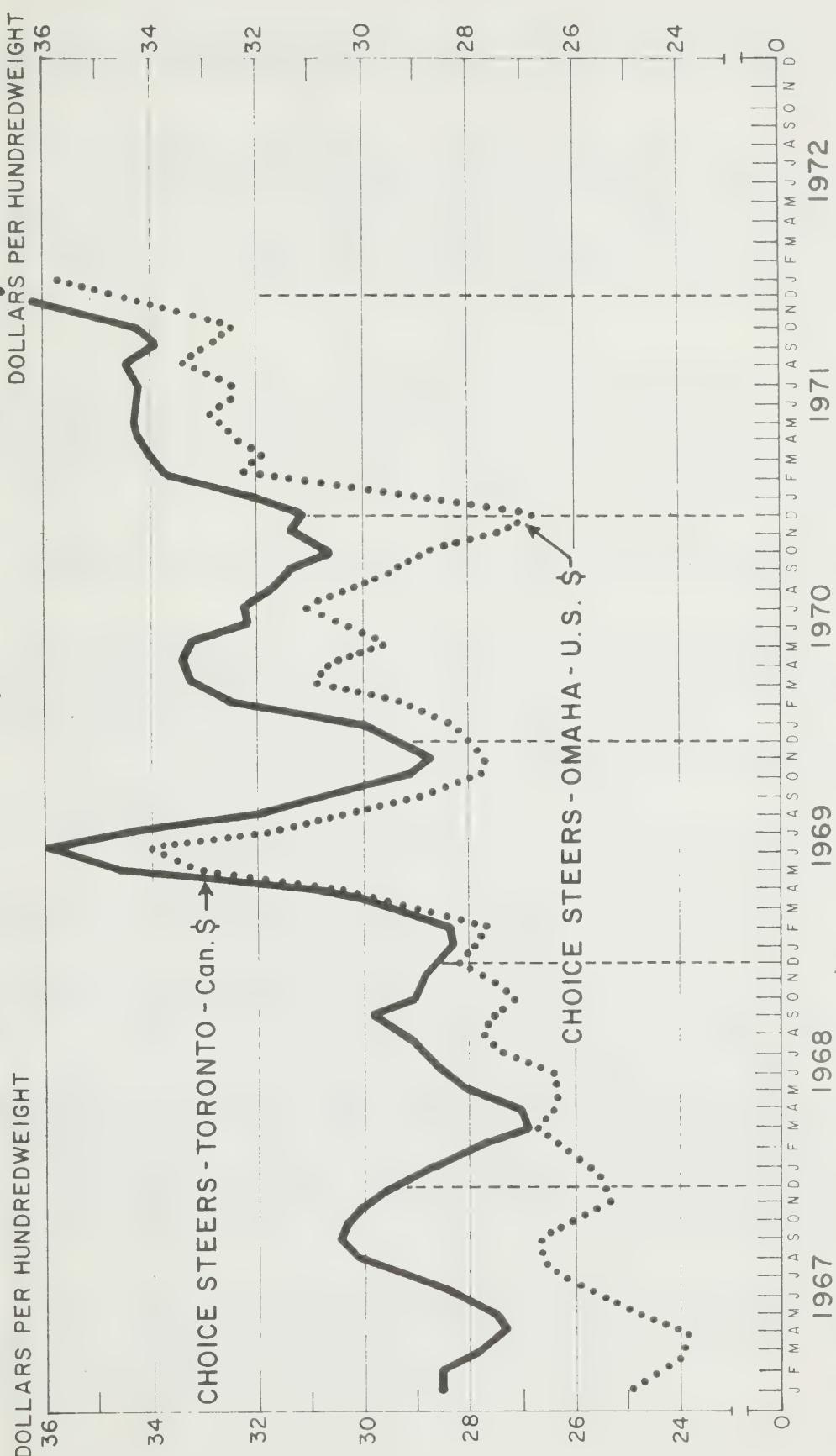
Of the total North American slaughter, Canada accounted for 8.2 per cent with 3.4 per cent of it coming from the East and 4.8 per cent from the West.

CATTLE INVENTORY, 1935 - 1971
 '000 HEAD - CANADA



PRICE PER HUNDREDWEIGHT OF CHOICE STEERS AT TORONTO AND OMAHA / (monthly)

(monthly)



DAIRY

Higher returns for dairy farmers have prompted a turn-around in the downward production trend of last year.

The turn-around began in November, following price increases and reductions in the holdback against government subsidies.

Production this year is expected to bounce back to 1970 levels, with Quebec producers leading the way and Ontario next in line. The Atlantic and Prairie provinces will likely register only small increases, if any.

The Canadian Dairy Commission boosted its "offer-to-purchase" prices twice last year and they now stand at 68 cents a pound for butter (up by three cents); 54 cents a pound for cheddar cheese produced in the peak season (up by seven cents), and 26 cents a pound for skim milk powder (up by six cents a pound).

Holdbacks for in-quota production were reduced by 16 cents a hundredweight during the year.

Ontario and Quebec entered into a comprehensive milk marketing plan on January 1 last year, and the agreement was extended to include Prince Edward Island beginning December 1. The plan now covers more than 80 per cent of the industrial milk and cream produced in Canada, and there are indications that more provinces will join.

Sales of milk and cream for fluid consumption are expected to continue their upward climb by 1.5 to two per cent this year.

Cheddar cheese production and consumption may level off, but production and consumption of other types of cheese will keep on climbing.

Ice cream production will increase this year, offsetting a decline in production and sales of concentrated whole milk products.

Butter consumption appears to be trending down again and will likely fall below last year's total of 328 million pounds. Production will increase and will result in a larger output of skim milk powder. It looks like there will be 160 to 175 million pounds of skim milk powder for export this year. World prices are expected to remain firm at least during the first half of the year.

Last year fluid milk and cream sales increased by about two per cent and sales of partly skimmed milk (two per cent butterfat) were up by 11 per cent. Fluid cream sales also increased, reversing a long-term downward trend.

Butter production dropped by 12 per cent, but cheddar cheese production was up by 15 per cent and the output of other cheeses rose by 16 per cent. Skim milk powder production was down by 17 per cent.

POULTRY

Prices for poultry are higher this year as production has dropped and consumption has increased.

But chicken broiler producers will have to exercise restraint in production in order to maintain current firm and profitable prices.

The higher prices for red meats are also helping to hold prices firm.

Marketings of all poultry meat at registered plants in Canada were down by two per cent last year and are forecast to decline by four per cent in the January to April period this year.

Broiler turkeys and heavy tom turkeys will account for the greatest part of the decrease.

Demand continues fairly constant and domestic disappearance for January to April should keep step with the increase in Canada's population.

Broiler chicken marketings were down by 4.1 per cent last year and domestic disappearance was up by 1.9 per cent.

Between January and April, commercial marketings will likely be up by three per cent from a year ago. Prices in the November to January period were 10 per cent higher than the year before.

Turkey marketings were up by one per cent last year and domestic disappearance was up by 4.7 per cent. Prices were sharply lower.

Broiler turkey marketings will likely drop by about 22 per cent in the January to May period this year. Prices in the last three months have been up by less than 10 per cent from a year ago.

The expected decrease in marketings will become more pronounced in February, March and April and this should keep prices firm as summer approaches.

Heavy hen turkey marketings are expected to drop by 13 per cent in the January to May period. Indications are that tom marketings in the January to June period will drop by 33 per cent from last year. Prices are expected to remain firm.

Chicken broiler production in the United States held steady last year, but a five per cent increase is forecast this year. Turkey growers indicate they will increase production by about one per cent this year.

EGGS

An improvement in egg prices this year will hinge on:

- the number of layers eliminated from flocks;
- the speed at which this takes place;
- the continuation of the reduced number of laying birds.

There is a concerted effort being made by egg producers, through their provincial marketing board structures, to insure greater returns by increasing the movement of fowl to slaughter.

By December 1, 1971, producers had cut their flocks of hens and pullets over the age of five months by six per cent from a year earlier.

A larger percentage of eggs produced in Canada have been moving through registered stations, making it somewhat difficult to keep track of trends in production. For example, last year egg marketings through registered stations increased by 4.8 per cent, but Statistics Canada reported that total production was up by only seven-tenths of one per cent.

Egg prices last year averaged 4.2 cents per dozen less than the year before. For most of December, 1971, prices were above 32 cents a dozen compared to the year-long average of 25.4 cents a dozen.

Demand is generally down after the holiday season, but this year prices have gone down from 32.5 cents at the end of December to 22.6 cents a dozen for the week of February 19, which is a lower price than a year ago when marketings and total production were higher.

Another depressing factor is that storage stocks of frozen eggs are almost double what they were a year ago and processors are little inclined to buy eggs at any price.

Import and export movement has been minimal so far this year and no change is expected for the foreseeable future.

WHEAT

The initial price has been set at \$1.46 a bushel for No. 1 C.W., basis in store at Vancouver or Thunder Bay. The Canadian Wheat Board is calling for production from 19 million acres, up only slightly from the 18.7 million acres planted last year. Of this acreage, about three million could be durum.

Depending on how many acres farmers assign to the delivery of wheat, the quota will be about eight to nine bushels an acre for both hard red spring wheat and durum.

World production turned upwards again last year, and trade between July and December was off by 22 per cent from 1970. Canada is the only country to have a sizeable increase.

During 1972-73, the seven main exporting countries will likely increase stocks by more than 200 million bushels. Prices are not likely to improve, unless unusual crop reductions drastically change the picture.

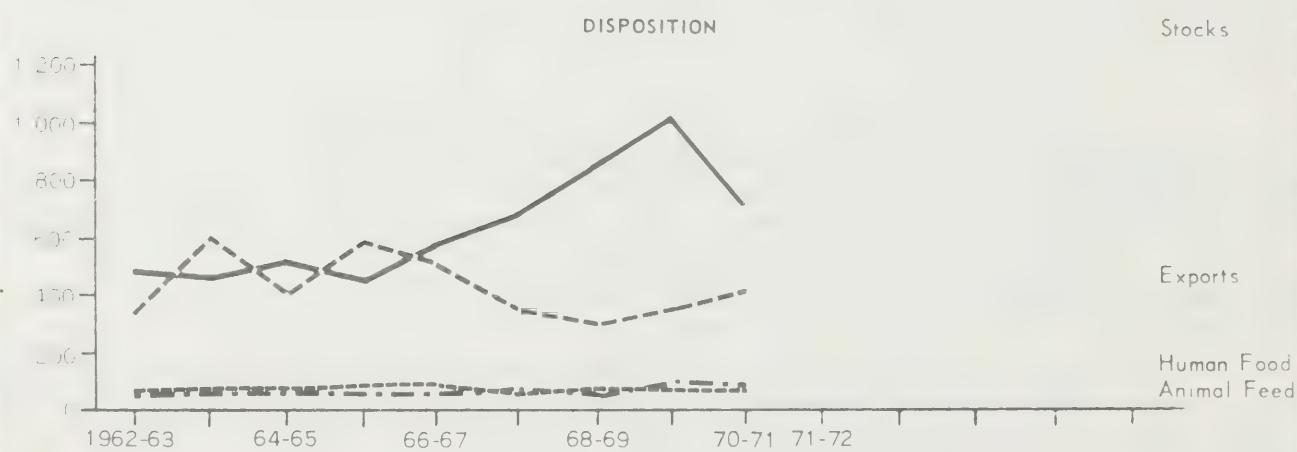
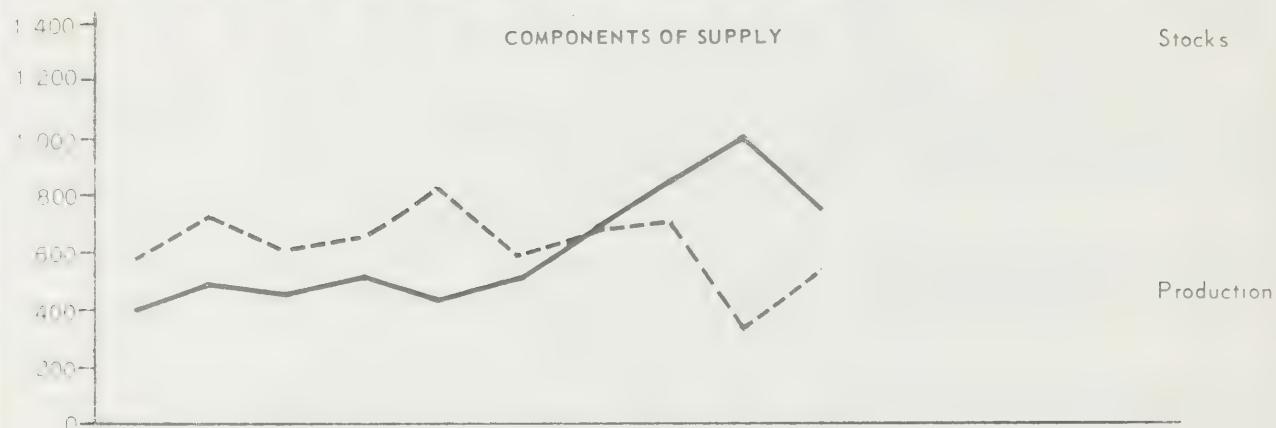
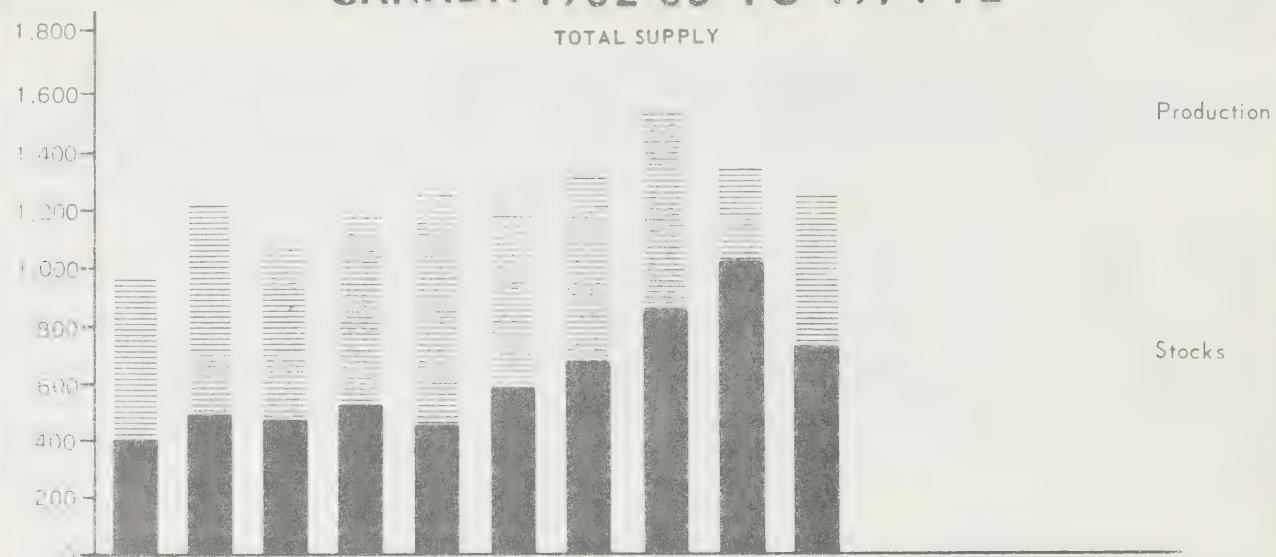
Carryover at the start of the year in Canada was down by 250 million bushels and stood at 750 million. Durum production was down to 60 million bushels following two years of 80-million-bushel crops and Ontario winter wheat was down a little to 14 million bushels, but fall planting was up by eight per cent.

Overseas clearances at the end of the half of the 1971-72 crop year were 57 million bushels ahead of last year at 230 million. Exports of wheat, sparked by large shipments to Russia and China, are expected to total 450 million bushels for ordinary wheat and an additional 50 to 55 million for durum. There are only three times that we have sold more. Total wheat stocks should be down to about 600 million bushels by the end of the crop year.

With the recent sale to Russia to begin next crop year, exports for the 1972-73 crop year will likely again exceed 400 million bushels for ordinary wheat and 50 million for durum.

WHEAT - SUPPLY & DISPOSITION - CANADA 1962-63 TO 1971-72

Million
Bushels



The Wheat Board says it will take delivery of a minimum of 450 million bushels of all wheat except durum and 55 million of durum.

It still appears desirable to reduce stocks somewhat, and that's why the Wheat Board is calling for very little increase in acreage this year.

FEED GRAINS

World production and international sales of feed grains were higher last year.

The huge United States corn crop will hang over the world market for early months at least of the 1972-73 crop year and will keep world prices from rising. Stocks in most countries will not be cumbersome. The United States is using its production policies to reduce corn production sharply from last year's levels.

Canadian production increased by 25 per cent last year, with barley leading the way at a record 655 million bushels. Up to the middle of the crop year, exports have been matching last year's levels and are expected to increase by the end of the crop year, setting a new record of 225 million bushels.

Prices have improved slightly from late 1971, but it is difficult to see any substantial increases in export prices for the balance of this crop year or even into the new crop year.

To meet domestic needs and to stay in the world market, we will need a crop from at least 15 million acres this year. Initial prices have been boosted by five cents to 96 cents a bushel for the new crop year (No. 3 Canadian Western six row, basis in store Thunder Bay) and minimum quotas are estimated at 15 to 20 bushels an acre.

Five million acres planted to oats would be sufficient this year as exports have fallen and will likely reach only six or seven million bushels in the current crop year and possibly less next crop year.

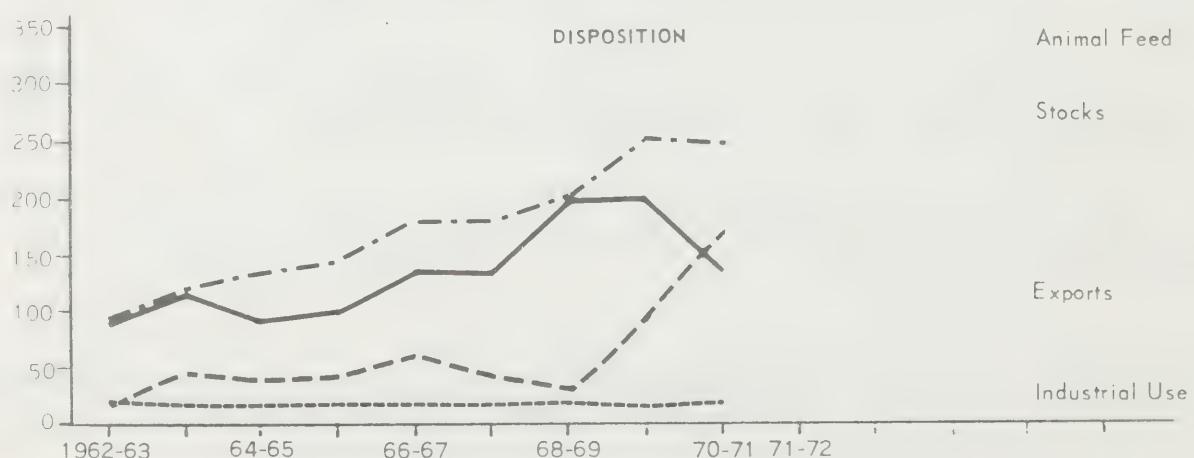
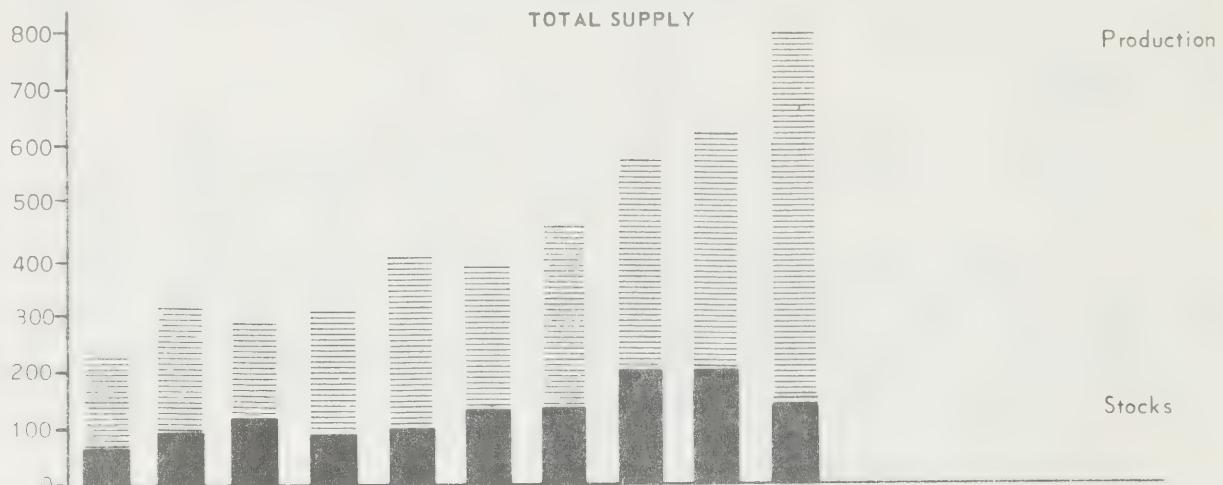
Initial prices have been set at 60 cents a bushel for No. 2 Canadian Western, basis in store at Thunder Bay. Quotas are estimated at 10 to 14 bushels an acre.

Rye prices will follow the pattern of other feed grains, and indications point to an export market of nine million bushels. Our carryover at the end of the crop year may be up to nearly 20 million bushels. Acreage should be reduced a bit from last year to one million acres.

BARLEY – SUPPLY & DISPOSITION – CANADA

1962-63 TO 1971-72

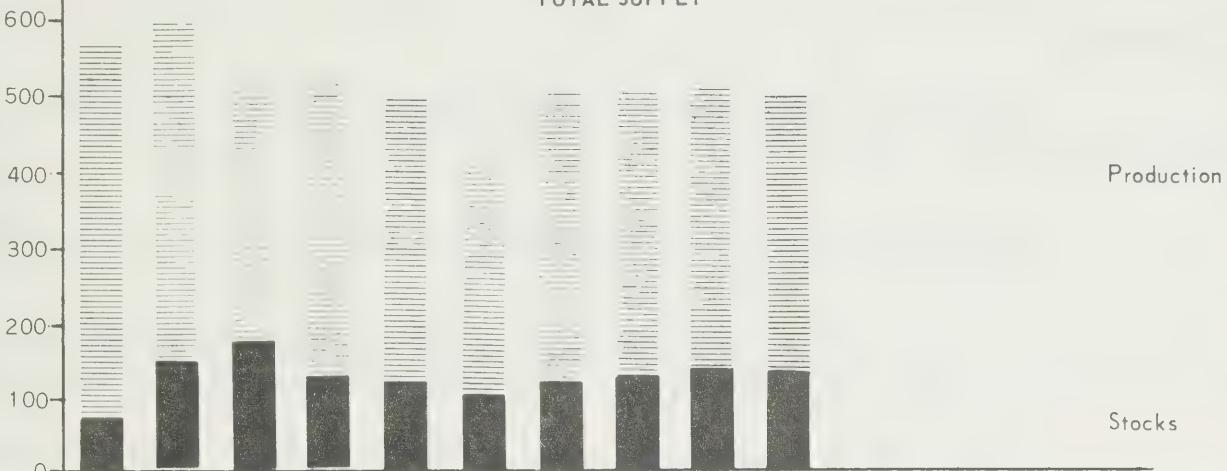
Million
Bushels



OATS – SUPPLY & DISPOSITION – CANADA 1962-63 TO 1971-72

Million
Bushels

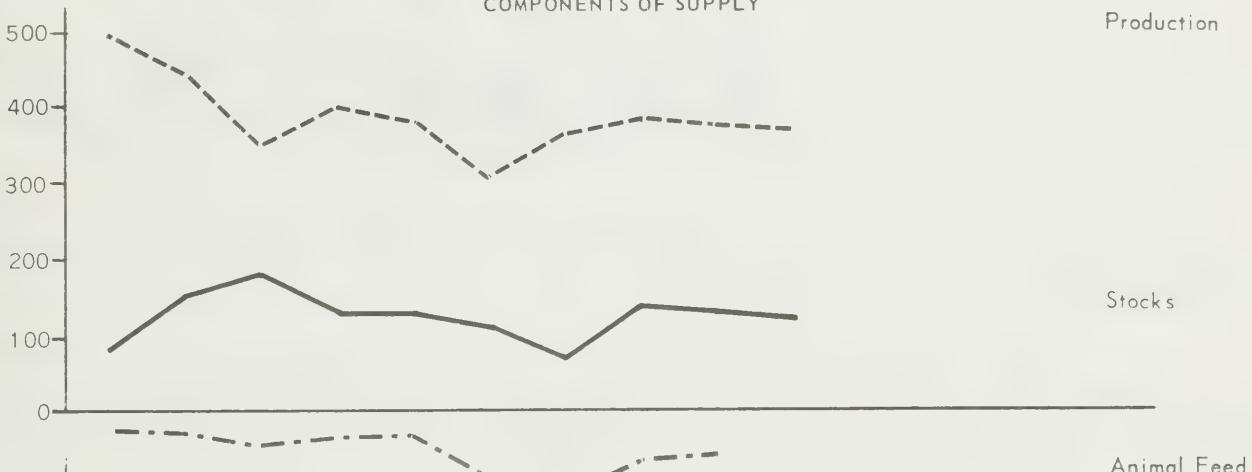
TOTAL SUPPLY



Production

Stocks

COMPONENTS OF SUPPLY

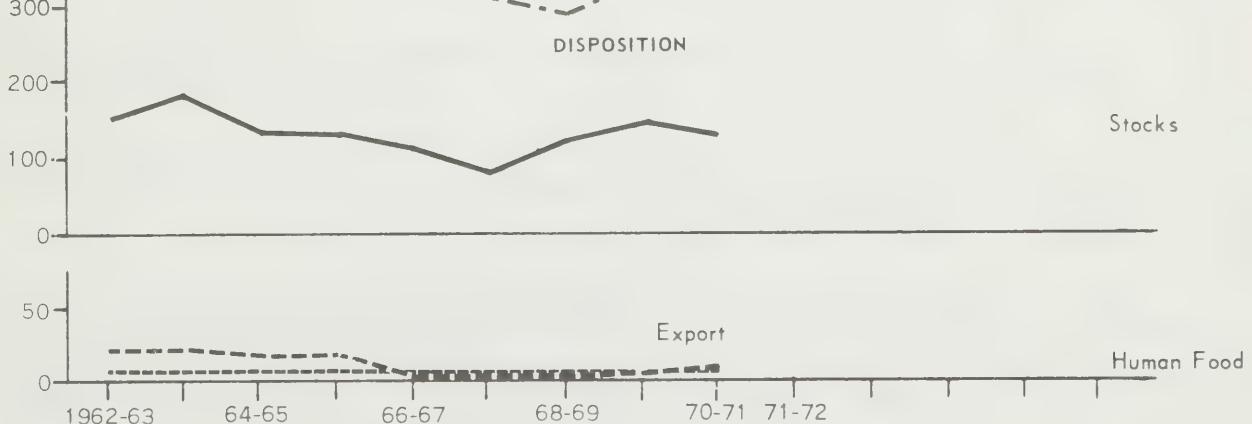


Production

Stocks

Animal Feed

DISPOSITION



Export

Human Food

1962-63 64-65 66-67 68-69 70-71 71-72



Corn production increased last year to 108 million bushels and indications are that there will be another increase this year. Prices will be held in check for some months into the 1972-73 crop year (which begins August 1) by the large United States surplus.

OILSEEDS

Production of fats and oils is increasing slightly faster than consumption, so for the first time in several years, the industry is starting to rebuild stocks.

Prices have not risen significantly to late February, but could improve somewhat by the end of the crop year.

It seems probable that production will continue to increase in line with consumption, and competition for world markets may be stronger.

Prices for most oilseeds peak every five years, and the last peak was in 1971.

Last year we had a carryover of 10 million bushels of rapeseed and, with the bumper crop, we seem to be headed for a carryover of 30 to 35 million bushels at the end of this crop year. Domestic use could reach 12 million bushels this crop year and exports about 45 million.

Next year domestic consumption will likely continue to increase and export opportunities for a rising volume of sales are good, providing rapeseed is made price competitive.

Low erucic acid rapeseed (LEAR) varieties will soon be the only seed which will be accepted by the Canadian food industry. Importing countries are also prepared to make the changeover and a complete change-over to LEAR varieties seems inevitable.

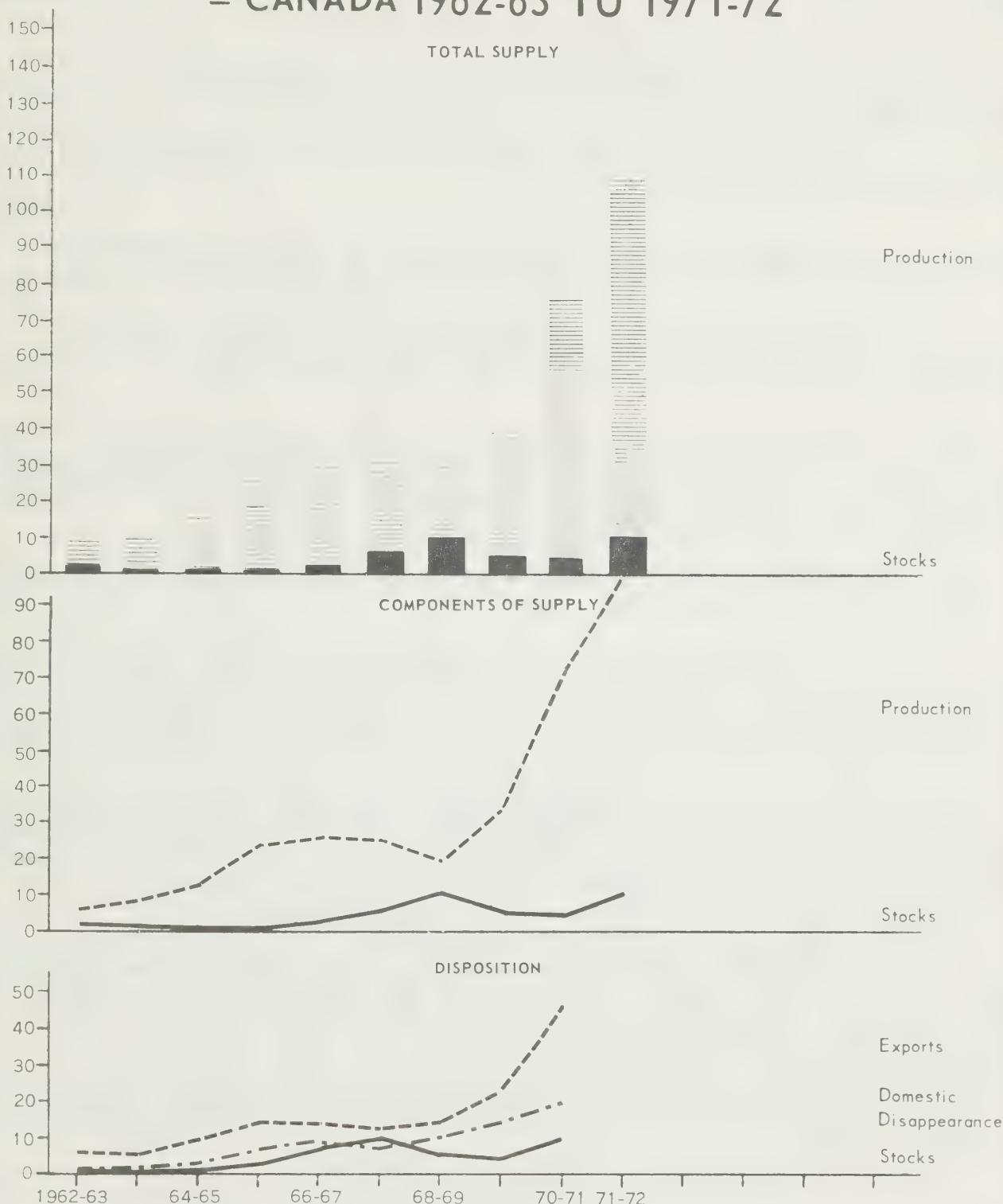
Four to five million acres of rapeseed seems adequate for this year.

Sunflower seed acreage is likely to increase to about 350,000 acres with relatively good prices -- unless the whole world edible oil price structure declines sharply.

Flaxseed production in Canada, the United States and the Argentine was reduced last year. Canada's production totalled 26 million bushels and with a possible export of almost that amount, stocks are likely to be down at the end of the crop year. Prices next year could rise slightly, but prospects could improve more sharply if planting is kept to two million acres.

RAPSEED – SUPPLY & DISPOSITION – CANADA 1962-63 TO 1971-72

Million
Bushels



Soybean prices are strong and we've been importing large quantities from the United States, so production could be increased this year.

POTATOES

Potato producers could help themselves to higher prices by cutting production this year.

According to the latest figures, North American farmers harvested a bumper crop last year, only one per cent below the record.

Storage holdings in Canada are down in both the East and the West, with Alberta declines responsible for most of the reduction in the West.

Consumption in terms of storage disappearance appears to be down this year, and so were imports between July and January. Imports have trailed off since the beginning of this year, and appear to be considerably below last year and the year before.

Total exports are down a bit from last year, and movement to Puerto Rico is exceptionally good.

The overall outlook indicates that, unless there is an especially large cull out or an unexpected large export movement, there will be plentiful supplies on hand until the end of the season. There will also be large processor inventories.

But there are some encouraging aspects as well. Producers in New Brunswick and Prince Edward Island have offered to sell about 1800 carlots to the Agricultural Stabilization Board. That's six to seven per cent of the storage holdings in the Maritimes as of February 1, and should be an important factor in pushing prices upward.

The federal government is also buying 4,000,000 pounds of dehydrated potatoes, which is equivalent to 280,000 hundredweight of fresh potatoes. The potatoes will be donated to needy people by the World Food Program.

The United States government has also introduced programs to bolster prices.

United States production will likely be down this coming year. Their winter production is forecast to decline by 18 per cent from last year.

Their early spring acreage is expected to drop by 10 per cent, their late spring acreage by 12 per cent and their summer acreage by seven per cent. The overall U.S. acreage decline is forecast at seven per cent.

APPLES

The outlook for apple growers is sharply different between eastern and western Canada this spring.

In British Columbia, supplies are lower this year and prices higher. In Ontario and Quebec, supplies are higher and prices lower.

It looks like the situation will remain that way for the balance of the marketing season, with fresh apple prices increasing as normal to the end of the marketing season.

So, for the rest of the year, British Columbia producers can look forward to comparatively higher prices. Their red Delicious apples are selling for between \$6.35 and \$6.85 a carton in Winnipeg compared to \$5.95 to \$6.20 a year ago.

Ontario and United States producers are looking to the Prairie market as well. Quebec may move some apples west, but it's more likely that the movement from Quebec will be towards the Atlantic provinces.

Eastern Canadian storage stocks of raw apples are up significantly from last year and United States stocks are up by 15 per cent from the five-year average.

That combination has pushed prices in Ontario and Quebec to the lowest level in three years. For example, Ontario Macs are selling for \$2.75 to \$3.00 a bushel in Toronto compared to \$3.50 to \$3.75 a year ago.

No additional significant exports of fresh apples are expected during the balance of the marketing season, so it looks like this year may end with one of the smallest export movements on record.

The movement into processing has been slower this year, but should pick up for the remainder of the season. With the exception of the juice pack, it looks like we will end the season with a lower movement into processing than last year.

Canned juice production was down by 12 per cent as of January 1. Prices are increasing now and are better than they were a year ago. With comparatively smaller stocks on hand, increasing quantities of apples will go to the processors for juicing.

The demand for Quebec cider is far greater than the supply, and plant capacity is still somewhat limited, in terms of current demand. Significant additional quantities of apples may well go into this product.

There will be a decrease in British Columbia and Nova Scotia apple processing. These declines will likely more than offset increases in Ontario and Quebec.

World apple production is increasing, and since output in Canada and United States is expected to increase faster than population growth, the orchards of tomorrow should be designed with specific objectives and goals, taking these factors into consideration.

SEED

There's enough cereal and oilseed supplies of most varieties to meet the domestic demand this year.

Seed growers harvested enough seed of the LEAR varieties (low erucic acid rapeseed) to meet the expected needs of commercial rapeseed producers. The varieties are Span, Zephyr and Oro.

There are enough supplies of most of the principal crops used for forage to meet normal domestic demand.

Some seed, mainly certified alfalfa, will, as in past years, have to be imported from the United States where supplies are available.

There are plentiful supplies of a number of kinds that are produced mainly for export, such as alsike, single-cut red clover, sweet clover, creeping red fescue and meadow fescue.

The export market for seeds is generally stronger than a year ago. Retail prices for most forage seeds this year are not expected to change substantially from last year's levels. Prices for some may be slightly lower.

The continuing demand in Europe and Japan for certified seed of adapted varieties is expected to result in an expanded acreage under the OECD (Organization for Economic Co-operation and Development) Seed Certification Scheme in western Canada again this year.

SPECIAL CROPS

Beet sugar production was up by 60 million pounds last year to 287 million pounds, and stocks on December 31 were 250 million pounds, up by nearly 35 million pounds from the year before.

Prices are sharply higher, rising from 4.6 cents a pound in September to 8.9 cents a pound in January on the London market.

Some cutback in sugar beet production is expected next year as a result of the record crop in western Canada last year. Quebec production is expected to remain at the level of recent years.

The overall demand for beans remains strong in both domestic and export markets.

Most of the 1971 Ontario white pea bean crop was sold at record average wholesale prices. Exports are expected to make up 60 per cent or more of total sales. Producer returns could average as high as \$10.25 a hundredweight compared to \$9.52 in 1970. This year's acreage will likely increase by up to 20 per cent.

Supplies of yellow-eye beans are large. About half of the crop has been sold, most of it to the domestic market at prices about the same as last year. Attempts are currently being made to find export markets for the balance of the crop. Acreage this year may be reduced.

Supplies of dry peas are sharply higher this year, and overall demand is weaker. Export sales are lagging behind last year by 10 to 15 per cent. There appears to be little prospect of any improvement during the balance of the crop year, and there may be a record carryover. Prices are about the same as last year, but may begin to slide. Acreage will likely be down this year, perhaps sharply.

There are signs of continuing interest among export customers for Canadian buckwheat, particularly in Japan and the Netherlands. However, more than ample supplies continue to hold prices down. Plantings this year may be down from last year.

Export demand for Canadian mustard seed increased last year by 10 per cent. However, with ample supplies in store, contract prices this year are expected to be the same as last year -- about four cents a pound for yellow mustard and 2.75 cents a pound for the brown and oriental types. Total acreage will be about the same as last year's 265,000 acres.

Cigarette sales increased by two per cent last year and cigar sales by 11 per cent.

Exports of Canadian flue-cured leaf increased by two per cent and leaf exports of Canadian burley by 14 per cent.

Ontario's auction prices are down slightly this year.

A further reduction in total flue-cured acreage is possible this year. The acreage of cigar tobacco in Quebec is expected to rise and there may also be a slight increase in the Ontario burley acreage.

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